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22nd June, 1960.

COCOM Document No. 4039

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COORDINATING COMMITTEE

MEMORANDUM BY THE CANADIAN DELEGATION

TRADE AGREEMENT BETWEEN CANADA AND THE U.S.S.R.

The Canadian Delegation have the pleasure to submit herewith the following documents concerning the renewal of the Trade Agreement between Canada and the U.S.S.R.:

Annex A. A statement by the Honourable Gordon Churchill, Minister of Trade and Commerce, in the House of Commons, Ottawa, on Monday, April 25, 1960 respecting the renewal of the Trade Agreement between Canada and the U.S.S.R.

Annex B. The Protocol renewing the Trade Agreement on February 29, 1956 between Canada and the U.S.S.R.

Annex C. Letters exchanged between the two parties.

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UNCLASSIFIEDANNEX A. to
COCOM Document No. 4039CANADA -- U.S.S.R. TRADE AGREEMENT

Statement by the Hon. Gordon Churchill,
Minister of Trade and Commerce, in the
House of Commons, on Monday, April 25,
1960.

Mr. Speaker:

I now table, for the information of the House, the text of the Protocol signed in Moscow on April 18, 1960, which renews for a three-year period the Trade Agreement between Canada and the Union of Soviet Socialist Republics of February 29, 1956, as well as the understanding set out in the letters which the two Parties exchanged at that time concerning the right of the Canadian Government to fix under the Canadian Customs Act values of goods for ordinary and special duty.

The Protocol also provides that each of the two governments will give sympathetic consideration to any representations which the other government may make concerning the implementation of the renewed Agreement and with regard to other matters which may affect their commercial relations. The Protocol is in force provisionally from the date of signature. It is to be ratified as soon as possible, and will enter into force definitively on the date of exchange of instruments of ratification, which is to take place in Ottawa. An early opportunity will be provided for a debate in Parliament, and a resolution of approval will be introduced to this end.

I also have pleasure in tabling copies of letters which I exchanged with the Soviet Minister of Foreign Trade, Mr. N.S. Patolichev, setting forth certain additional understandings concerning the development of trade between the two countries.

If the House agrees, I suggest that the text of the Protocol and of the letters be printed as an appendix to Votes and Proceedings.

As honourable members are aware, the negotiations for renewal of the Trade Agreement with the U.S.S.R. took considerable time. They were initiated before the 1956 Agreement lapsed on February 28, 1959, and the early discussions were not without difficulties. However, common ground was eventually found and the Agreement is being renewed on terms which I consider satisfactory from the Canadian point of view, particularly taking into account the changed trading circumstances since the earlier agreement was concluded.

The House is familiar with the provisions of the 1956 Agreement, which is now being extended. In brief, Canada and the U.S.S.R. exchange most-favoured-nation treatment and, on a reciprocal basis, provide for non-discriminatory treatment of merchant ships in the seaports of the two countries. Either government may, however, apply prohibition or restrictions of any kind directed to the protection of its essential security interests. Our strategic export controls are therefore not affected. The Protocol extending the Agreement broadens the basis on which representations can be addressed to either of the two Parties. Previously, the two governments had agreed to give sympathetic consideration to representations concerning the implementation of the Agreement. The scope for such representations has now been enlarged to include any other matters affecting commercial relations between the two countries. Should the necessity arise, this would permit Canada, for example, to take up with the Government of the U.S.S.R. any special problems which may be encountered in respect of the sale in world markets of Soviet products in which Canada has a substantial export interest.

The letter which I exchanged with Mr. Patolichev provides that, in each year of the renewed Agreement, the Soviet foreign trade organisations will

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purchase Canadian goods up to a total value of \$ 25 million Canadian, including not less than 200,000 metric tons of Canadian wheat, provided the total annual value of Canadian purchases from the U.S.S.R. is not less than \$ 12 and a half million Canadian. Should the total value of Canadian purchases from the U.S.S.R. be less than \$ 12 and a half million Canadian in any one year, the Soviet undertaking to purchase from Canada would be reduced and would be determined on a 2 to 1 basis; that is, the Soviet Union would purchase twice as much from Canada as Canada imported from the Soviet Union. Wheat will constitute not less than half the value of such annual Soviet purchases. It will be noted that no commitment to purchase Soviet goods has been made by the Canadian Government. As in the case of trade with other countries, the level of our purchases will be determined by the commercial decisions of Canadian importers. The House will appreciate that U.S.S.R. agreement to trade with Canada on a 2 to 1 basis represents a very substantial concession on their part, since the Soviet Union normally endeavours to balance trade with each of its trading partners.

In addition to establishing the Soviet commitment to purchase Canadian goods, the letter provides that the authorities of the two countries will meet at least once a year alternately in Ottawa and Moscow to consult concerning the implementation of the Agreement and any other matters affecting Soviet-Canadian trade relations. It is the hope of both parties that trade will flow reasonably regularly in each year of the Agreement. The annual consultations will provide the occasion for an exchange of views with respect to the operation of the Agreement. They should also prove of value in building up greater understanding between the two countries with respect to trade matters.

The letter also sets forth an understanding that, as a measure towards attaining the mutual objective of an expansion of trade, the two governments will facilitate visits for business purposes between the two countries. It is my hope that, within the framework of the renewed Agreement and in pursuance of the undertakings in the letter which has been exchanged, there will be a mutually advantageous growth in trade between the two countries. The actual growth in trade and the nature of the goods to be exchanged will depend mainly on the decisions of the businessmen and business organisations of the two countries. The Canadian market is highly competitive and it will be necessary for the Soviet export authorities to understand our requirements if they are to sell successfully in Canada. Similarly, it will be important for Canadian exporters to make known to the Soviet import organisations the products and goods which they are in a position to supply on competitive terms. In general, it will be necessary for there to be much closer contact between the traders of the two countries than has been the case in the past. To this end I have suggested, and the Soviet authorities have agreed, that a group of Soviet traders, representing both export and import interests, should visit Canada, and the Soviet authorities have indicated that they would welcome a comparable visit of Canadian businessmen to the Soviet Union. I hope that the necessary arrangements for these visits can be made during the current year. I have also invited the Soviet Minister of Trade, Mr. Patolichev, to come to Canada, and this invitation is being considered by the Soviet Government. I hope that he will find it convenient to come at the same time as the visit of Soviet trade representatives.

As a further measure to facilitate the growth of trade, Mr. W.J. Van Vliet has been appointed Commercial Counsellor at the Canadian Embassy in Moscow, where his main responsibility will be to assist in the promotion of our exports to the U.S.S.R.

The House will recall that, under the 1956 arrangement, the Soviet Union took an annual obligation to purchase a specified minimum quantity of wheat (400,000 tons). The new arrangement provides that at least half the value of the annual Soviet purchase commitment will be in the form of wheat. If Soviet purchases were to rise to the value of \$ 25 million, our sales would include at least 200,000 tons of wheat. Accordingly, while the Soviet Union will continue to purchase significant quantities of Canadian wheat, we may now look

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towards more diversified sales to the U.S.S.R. Both sides are aiming to diversify as well as to expand trade. The House is aware that the Soviet Union has greatly enlarged its production of wheat and is a regular wheat exporter. In the circumstances, the amount of wheat which the Soviet Union has undertaken to purchase may be regarded as satisfactory. I should add that I raised with the Soviet Government the question of the approximately 200,000 tons of wheat still outstanding under the old Agreement. Provided trade develops in a satisfactory manner, in accordance with the Agreement and the letters exchanged in Moscow, I was assured by Mr. Patolichev that the Soviet Union would endeavour to make up this deficiency so that there would be no question of the Soviet Union not having fulfilled the earlier obligation.

Mr. Speaker, I should like the House to know that I was received with genuine friendship and courtesy by the Soviet Ministers and senior officials I had the opportunity to meet. In addition to Mr. Patolichev, I had the pleasure of general discussions with Mr. F.R. Kozlov and Mr. A.I. Mikoyan, both First Deputy Premiers of the Soviet Union. These gentlemen showed a welcome awareness of Canada's interests as a world trade and major exporter. Our conversations were frank and constructive.

The hospitality which was shown to me and to the other members of the Canadian delegation was generous and memorable.

I believe that over and above the provisions of the Agreement and the exchange of letters, a basis has been established for closer and more fruitful co-operation between the two countries in the field of trade.

The following are attached, as appendices to this statement:

- (a) Copy of Protocol, which was signed by the Hon. Gordon Churchill and Mr. N.S. Patolichev
- (b) Copy of letter from the Hon. Gordon Churchill to Mr. N.S. Patolichev, dated April 18, 1960
- (c) Copy of translation of letter from Mr. N.S. Patolichev to the Hon. Gordon Churchill, dated April 18, 1960.

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P R O T O C O L

In connection with the expiration of the Canadian-Soviet Trade Agreement concluded in Ottawa on February 29, 1956, for a period of three years, the Government of Canada and the Government of the Union of Soviet Socialist Republics, desiring to expand and diversify further the trade between the two countries on the basis of mutual advantage, have agreed as follows:

1. With the exception of Article IX, the Trade Agreement between Canada and the Union of Soviet Socialist Republics of February 29, 1956, as well as the understanding set out in the letters which the two Parties exchanged on the same date regarding the establishment of values of goods for duty, are hereby extended for a period of three years from the date of signature of this Protocol.
2. Each of the two Governments hereby affirms that it will give sympathetic consideration to any representations which the other Government may make in respect to the implementation of this Protocol and of other matters affecting their commercial relations.
3. This Protocol shall be ratified by both contracting parties as soon as possible and shall enter into force provisionally on the date of its signature and definitively on the date of exchange of the instruments of ratification which shall take place in Ottawa. The Protocol shall remain in force for three years from the date of signature.

Done in Moscow this 18th day of April, 1960, in duplicate, in the English and Russian languages, both equally authentic.

By authority of the Government
of Canada.

Gordon Churchill

By authority of the Government
of the Union of Soviet Socialist
Republics.

N.S. Patolichiev

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Moscow, April 18, 1960

Mr. Minister:

I have the honour to confirm that in pursuance of the desire of the Government of Canada and the Government of the USSR to expand and diversify trade between our two countries, as provided in the Protocol signed today extending the Canadian-Soviet Trade Agreement for a further three-year period, we have reached the following understandings:

1. The representatives of the competent authorities of the two countries will meet at least once a year, alternately in Ottawa and Moscow, to consult concerning the implementation of our respective undertakings and any other matters affecting Canadian-Soviet trade relations.
2. It is understood that as a measure towards attaining our mutual trade objectives the competent authorities of the Government of Canada and the Government of the USSR will facilitate visits for business purposes between the two countries.
3. It is further understood that the Ministry of Foreign Trade of the USSR, in accordance with its customary procedures, will see to it that Soviet foreign trade organizations each year during the three-year period from this date purchase in Canada, under normal commercial conditions, Canadian goods of their choice and which may be exported by Canada to a total value of 25 million Canadian dollars, including not less than 200,000 tons of Canadian wheat, provided the total annual value of Canadian purchases from the USSR is not less than 12½ million Canadian dollars. Should the total value of Canadian purchases from the USSR be less than 12½ million Canadian dollars in any one year, the relationship between the value of such Canadian purchases and the value of those of the Soviet Union shall be in the ratio of 1 to 2; wheat will constitute not less than half of the value of the annual Soviet purchases.

The markets of Canada and the USSR are large and expanding. It is the hope of both Governments that there will be a mutually advantageous growth in the exchange of goods between Canada and the USSR over and above that provided for in point 3 above, within the general terms of the Canadian-Soviet Trade Agreement.

Accept, Mr. Minister, the assurances of my highest consideration.

Gordon Churchill.

Mr. N.S. Patolichhev,
Minister of Foreign Trade of the USSR,
M O S C O W.

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ANNEX C. to
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(Continued)

Moscow, April 18, 1960.

Mr. Minister:

I have the honour to confirm that in pursuance of the desire of the Government of the USSR and the Government of Canada to expand and diversify trade between our two countries, as provided in the Protocol signed today extending the Soviet-Canadian Trade Agreement for a further three-year period, we have reached the following understandings:

1. The representatives of the competent authorities of the two countries will meet at least once a year, alternately in Ottawa and Moscow, to consult concerning the implementation of our respective undertakings and any other matters affecting Soviet-Canadian trade relations.
2. It is understood that as a measure towards attaining our mutual trade objectives the competent authorities of the Government of the USSR and the Government of Canada will facilitate visits for business purposes between the two countries.
3. It is further understood that the Ministry of Foreign Trade of the USSR, in accordance with its customary procedures, will see to it that Soviet foreign trade organizations each year during the three-year period from this date purchase in Canada, under normal commercial conditions, Canadian goods of their choice and which may be exported by Canada to a total value of 25 million Canadian dollars, including not less than 200,000 tons of Canadian wheat, provided the total annual value of Canadian purchases from the USSR is not less than 12½ million Canadian dollars. Should the total value of Canadian purchases from the USSR be less than 12½ million Canadian dollars in any one year, the relationship between the value of such Canadian purchases and the value of those of the Soviet Union shall be in the ratio of 1 to 2; wheat will constitute not less than half of the value of the annual Soviet purchases.

The markets of Canada and the USSR are large and expanding. It is the hope of both Governments that there will be a mutually advantageous growth in the exchange of goods between the USSR and Canada over and above that provided for in point 3 above, within the general terms of the Soviet-Canadian Trade Agreement.

Accept, Mr. Minister, the assurances of my highest consideration.

N.S. Patolichev.

The Honourable Gordon Churchill,
 Minister of Trade and Commerce of Canada,
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